



Rural Urban Development Initiatives

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COMPETE
The Competitiveness and Trade Expansion Program

I. General Information

Grant Agreement No.: RUD – STA- 008
Grantee Institution: Rural Urban Development Initiatives (RUDI)
Project Title: Expansion of Warehouse Receipt Programs for rice and maize in Kilombero, Iringa Rural and Handeni districts of Tanzania
Type of report: Final
Period covered by this report: From 1st December 2009 to March 31st, 2012.

II. Background

USAID-COMPETE PARTNER FUNDING SUPPORT TO RUDI

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Figure 1: Sign Post: Mang'ula milling machine business



iii) Background

USAID-COMPETE PARTNER FUNDING SUPPORT TO RUDI

December 1st 2009 to March 30, 2012 report

This report from Rural Urban Development Initiatives (RUDI) is covering USAID COMPETE support to RUDI for 2 years period. The report covers the activities achieved during the two years.

Project overview

RUDI implemented two years project on Warehouse expansion in three districts of Tanzania – Iringa Rural, Handeni and Kilombero. The project was funded by USAID COMPETE.

IV Executive summary

Expansion of Warehouse Receipt Programs for rice and maize in Kilombero, Iringa Rural and Handeni districts of Tanzania was implemented by Rural Urban Development Initiatives (RUDI) and run for two years (November 2009 to November 30th, 2011). RUDI's role in the program was to create sustainable and profitable farmer business groups which would bulk their produce and selling collectively through Warehouse Receipt System (WRS) in a structured trading system.

RUDI's interventions in the project were guided by the four major objectives, which were designed to build an efficient and economically sustainable rice/maize value chain for over 1,000 small holder rice/maize farming households in three districts of Tanzania

The project five main objectives:

- increase smallholder producers' access to finance;
- increase the incomes of smallholder farmers through the sale of rice/maize produce;
- reduce transaction costs through collective marketing;
- reduce post harvest losses of rice/maize; and,
- Facilitate a favorable rice/maize trading environment.
- Facilitate availability of quality milling machines in the villages.

This report covers the two years of the implementation of the project (December 2009 to March 31th, 2011) the successes that have been realized, and the lessons learnt through various challenges that the implementation team have faced along the way to create structured trading system for rice/maize small famers in Kilombero, Iringa and Handeni districts of Tanzania. Success realized during the two years is attributable to good partnership between the farmers, local government, financial institutions, traders and the trainers.

Figure 2: Mang'ula milling machine



Table 1: Summary of Associations/warehouses supported by the project

No.	Association name	Membership	
		Total	Women
1.	Mangalali	105	39
2.	Lumuli	157	67
3.	Magubike	153	45
Subtotal 267		730	
4.	Mbingu	104	35
SUB TOTAL		490	203
5.	Amani	300	172
6.	Suwa	135	65
SUB TOTAL		435	237
GRAND TOTAL		1,655	707

Activities carried during the two years.

USAID COMPETE PROJECT TO 2010 TO 2011

KEY RESULTS TRAINING

Table 2. Training conducted in two years.

S/N	TYPE OF TRAINING	PARTICIPANTS
1	Training business operator for warehouse supported by the project	529
2	Roundtable discussion between Apex leaders and buyers	965
3	Training maize drying procedures Mbingu and Iringa Association	400
4	Husband dry training Amani and SUWA Associations	192
5	Training milling machine business members	105
6	Assess progress made by Associations supported by USAID COMPETE	261
7	Training on grades and standards in Magubike, Limuli and Mbingu	700
8	Analyze / collect daily price information	442
9	Training on EAC grain standards Limuli Magubike Amani Suwa and Mbingu	267
10	Access to credit Amani, Suwa, Mangalali, Limuli and Magubike	206
11	Training paddy post harvest management (Rice drying procedures)	697
12	Specialized technical training on proper record keeping on milling machines	451
13	Awareness on Government farmers support program Suwa, Mangalali, Amani, Magubike and Limuli	385
14	Conduct strategic planning to Mangalali, Magubike and Lumuli Associations	194
15	Sensitization on Government support programme awareness	622
16	Training on Eastern Africa maize standard to SUWA and Amani Associations	100
17	Training on Leadership good governance and Association development	50
18	Sensitization meetings were conducted to members	1,545

19	Post harvest training	342
20	Training use cinema vehicle	5,850
	Total	14,353

Figure 3: East Africa maize and standards training to SUWA Association members



Key results of the project

Type of Activity		Status March 30, 2012
1. To increase village quality milling machine.	5 milling machines completed	Planned 3 machines. Up to November 30 th , 2011, the project purchased five rice milling machines for Mang'ula "A", Mkasu, Vijana Mbasu, Mbingu and Idodi Associations and two maize milling machines for Iringa Rural and SUWA Associations. Mang'ula, Vijana Mbasu and Mbingu started operations in 2011 season. Mkasu, Idodi, SUWA and Mangalali will start operations in 2012 season.
2. To increase village quality warehouses.	Completed	The project created 6 warehouses: Mbingu, Mangalali, Magubike, Lumuli, SUWA and Amani. We dropped Kaning'ombe because they were not moving fast enough. The mentioned warehouses were not in operation. Most of them were in bad shape.
3. To increase quality and quantity of grain produced.	Completed	The farmers collected and bulk in 2010/2011 season.
4. To increase functioning Warehouse Receipt Systems (WRS) in the village.	Completed	Farmers from Six village/warehouses operated warehouse receipt system in 201/2011 season.
5. To increase volume of sales.	Completed	The 6 warehoused supported the project bulked 1,202.4 tons of grain
6. To increase village based associations.	Completed	Six village Associations established, registered, have constitutions and have bank accounts and leadership
7. To increase access to credit to small holders.	Completed	All USAID COMPETE Associations received loan to have signed loan Agreement with the bank in 2011. The loan has been approved. Mbingu will receive Tshs 238 million through their Apex AKIRIGO from National Microfinance Bank (NMB) while maize Associations will receive Tshs 165 million from Stanbic bank
8. To increase women participation in WRS.	Completed	40 – 45% of Associations members who deposited grain in the warehouse through WRS in 2011 this season were women
9. To reduce the participation of middle men in grain trading.	Completed	Number of middlemen reduced by 75% - 100% by the end of the season.

10. To increase the use of quality weighing scales.	Completed	All six warehouses have quality weighing scales.
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Table 4: Quantity of commodities in stored in the commodity 2010-2011

	Name of warehouse	Stock collected in 2010/11 season in tons
1.	Mangalali	150
2.	Lumuli	210
3.	Magubike	180
	Subtotal maize	540
4.	Mbingu	79.2
5.	Mang'ula	208.2
	SUB TOTAL	287.4
6.	Amani	216
7.	Suwa	159
	SUB TOTAL	375
	GRAND TOTAL	1,202.4

*In Mbingu the farm gate prices of rice was extremely high. Farmers were worried the prices would go down so they sold their produce immediately harvesting.

Table 5: Summary of Associations/warehouses supported by the project December 31st, 2011

No.	Association name	Membership	
		Total	Women
7	Mangalali	105	39
8	Lumuli	157	67
9	Magubike	153	45
	Subtotal	730	
	267		
1	Mbingu	104	35
	SUB TOTAL	490	203
1	Amani	300	172
1	Suwa	135	65
	SUB TOTAL	435	237
	GRAND TOTAL	1,655	707

Main achievements

- i) After the installation of the milling machines other Partners decided to assist the Associations. Tanzania Warehouse Licensing Board signed a contract to expand Mang'ula warehouse. The work has already started. Another organization - Africa Development Foundation (ADF) and Center for Sustainable Development Initiatives (CSDI) developed a program to install drying machine and purchase of important warehouse equipments for Mang'ula Association.
- ii) Membership increased after the Associations started a WRS program and business of milling machines.
- iii) Mang'ula has become a learning Center for most organizations. The Association receives daily visitors to learn about the business of milling machines. In spite of creating jobs in rural areas the Associations are making money. In Mang'ula they milled 4,527 kgs in June, 20,290 in July, 32,774 in August and 38,529 in September. Total 124,972. They made a net profit of Tshs 5,500,000 million
- iv) RUDI started training farmers using Cinema which increased the number of trainees. At least 1,600 farmers attend the cinema for each village where Association is located.

Figure 4: New warehouse under construction by the government as a result of installation of milling machine in Mang'ula



CHALLENGES AND LESSONS LEARNT

Main challenges

- i) Unexpected rise in prices: During the reporting period the prices for grain increased tremendously. Farmers did not store their commodities in the warehouse. It affects our program since financial institutions approved the loan of tshs 228 million for Kilombero farmers.
- ii) Unexpected fall in prices of maize. Prices of maize rose during harvesting time however government imposed export ban in June 2011. Prices fell and farmers who stored their crop in the warehouse did not get good prices. The ban was removed in January 2012; however the prices rose in April 2012 when most of the farmers had already sold their maize.
- iii) Process for getting loan from Stanbic bank took quite a long time. After waiting for four months we decided to link our farmers to other private financial institutions at an interest of 15%.
- iv) Export ban is still a problem. Farmers had secured markets in Nairobi but they could not deliver due to export ban
- v) Long process to acquire land to install milling machines
- vi) Power fluctuations/rationing are affecting the operation of milling machines.
- vii) Rural village roads continue to be a problem for small farmers. Roads are impassable during the raining season.
- viii) Farmer's expectation of high prices. During the sensitization period farmers complained of the low prices they receive both as advance payments and final payments. Because the productivity is low for most they think they are cheated by buyers. Several seminars on how marketing systems work in the free market economy are needed. The seminars can be expensive because of large number involved.
- ix) Milling machine management: The Associations supported by the project acquired the milling machines from the USAID COMPETE. The project did not budget money to assist the Associations to manage and monitor very closely the business of milling machines. Since it is the first time they are doing the business close follow up of the operations of the business is needed.
- x) Unexpected flood in some areas such as Mbingu
- xi) Long process of raising money to build house for the machines.
- xii) High cost of transporting and installing milling machines.

1) Lessons learned

- a) 2011 season was quite trick because of unexpected rise in the prices of rice and fall prices of maize. Rice farmers sold their produce during harvesting season because the prices were attractive. Unfortunately prices of rice continued to rise, while that of maize fell. The rice farmers who sold their produce earlier in the season could not enjoy the better prices because the prices continued to rise as year progressed.
- b) Farmers take time to make decision on major issues such as when to sell paddy/rice and at which price and to whom. They have high expectations of rising prices.
- c) Weather can affect both the quantity and quality of paddy/rice produce.
- d) The installation of the milling machines took more time than earlier expected. Farmer's contribution took time, very few qualified engineers available, and power utility has no enough installation engineers.
- e) Farmers in rural areas like training offered through cinema/video. We experience large number of farmers attend the training.
- f) Because of the low productivity farmers always want high prices. Farmers who deposit their produce in the warehouse have high expectations of getting high prices. If the prices do not match their expectations they despair and hate the system.
- g) Farmers take time to trust a new system. Several awareness creation seminars are essential for the farmers to understand the system. The cost of the seminars can be very high.
- h) The banks have no faith with the small farmers. They take long time to process loan for small farmers. Business plans for the bank should be developed and submitted to the bank six months in advance.
- i) Input prices are quite high. Farmers cannot access right inputs at the right time at the right price..

CONCLUSION

USAID COMPETE Warehouse Receipt Expansion project was on the ground for only two years. Lots of achievements for just two years. It takes time to organize small farmers into business groups. The Associations formed by the project have attracted other Donors government to continue to support them, to take them to another stage of packaging and branding. USAID NAFKA and Norges Vel (Norwegian NGO) were both interested to continue supporting the milling machine businesses. This shows clearly the Associations which acquired milling machines from USAID COMPETE are doing well, otherwise everybody would run away from them.

The government supported the initiatives of USAID COMPETE project. In Idodi, The Member of Parliament who is also a Minister in the Prime Minister's office Mr. William Lukuvi gave Tshs 2 million for completion of the milling machine house. Local Government Authority worked very closely with the Associations. The project created employment, and businesses in the rural areas. Life for these farmers who got support from USAID project will never be the same again.